THE ALABAMA SOLUTION

Presented to:
Alabama Medicaid Pharmacy Study Commission
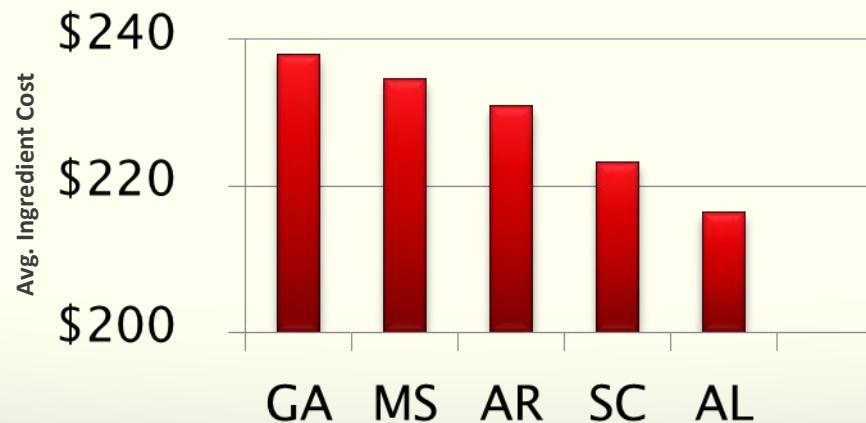### October 24, 2013

Alabama Prescription Services

Alabama Prescription Services

- **Alabama Prescription Services (APS)** is a joint venture between the American Pharmacy Cooperative and Health Information Designs

- APS offers the State a unique solution that provides *comprehensive prescription benefit management services* through transparent methods using state of the art systems for claim payment, network, and clinical program management

Alabama Medicaid Agency Distinctions

- AL Medicaid utilizes point-of-sale (POS) technology-based solutions that incorporate medical and pharmacy data to promote clinical and economic best practices

- AL Medicaid utilizes acquisition cost as a basis for pharmacy reimbursement with one of the lowest "net paid" amounts in the southeast
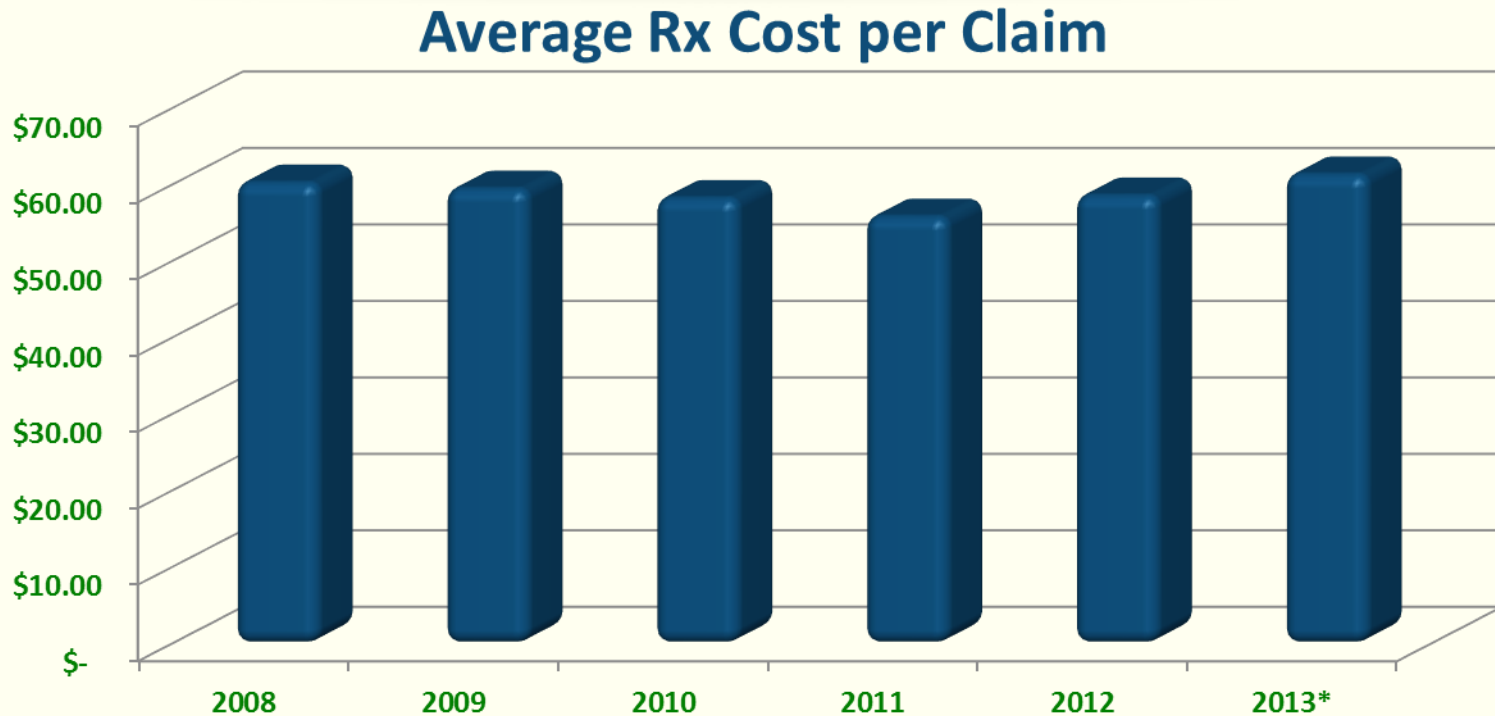
PAC
Predictive Acquisition Cost

- A new pricing benchmark

- Predicts acquisition cost by triangulating multiple data inputs such as MAC prices, WAC, NADAC and applying predictive logic

- PAC would compliment Alabama's current AAC reimbursement by providing an acquisition cost for those NDC's not captured by the AAC process

- PAC + AAC would provide an acquisition cost for all NDC's

- Oklahoma Medicaid is currently using PAC

([Ingredient Cost + Dispensing Fee] – Co-pay) X Utilization= Cost

- Managing the Pharmacy Benefit is managing the Cost Equation, using historical data and benchmarks

  - Each component affects Cost
    - i.e., Cost is made up of "cost per unit" times "number of units"
  - Each component is managed using a unique set of tools
  - Components may affect each other is affecting Cost

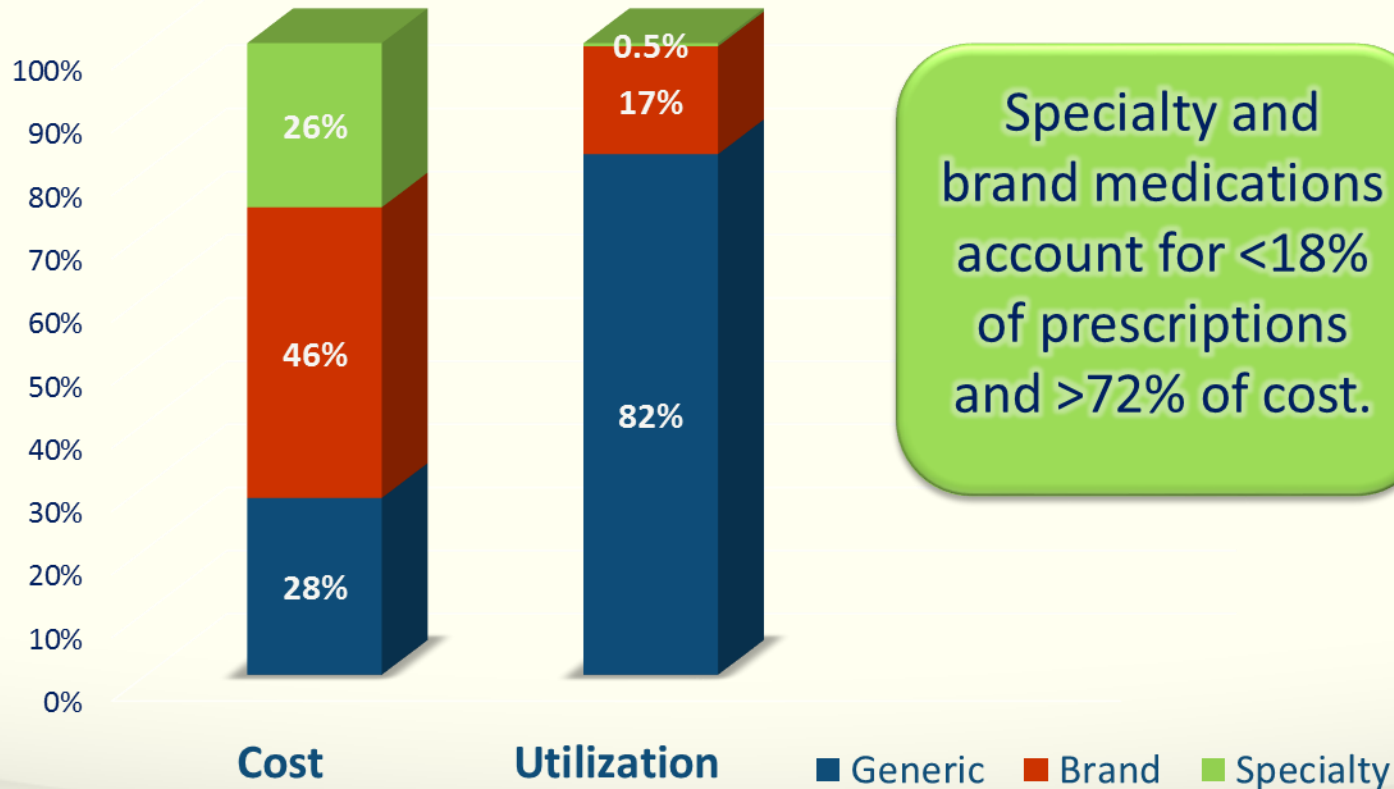# AL Medicaid Prescription Costs

Average Rx Cost per Claim

January-July 2013 average monthly cost per claim: $59.80

AL Medicaid PA Statistics

- **40** drug classes require PA

- **25** drug classes run through electronic PA

- **8** different override edits (require manual review)

- Monthly Statistics for AL Medicaid PA
  - **19,000-20,000** electronic PAs
  - **5,000-5,500** manual PAs
  - **3,000** manual overrides

AL Medicaid Prescription Costs

Cost vs. Utilization Rates of ALMA Drugs

Specialty and brand medications account for <18% of prescriptions and >72% of cost.

Cost: Generic 28%, Brand 46%, Specialty 26%

Utilization: Generic 82%, Brand 17%, Specialty 0.5%

Legend: ■ Generic ■ Brand ■ Specialty

The Alabama Prescription Services Solution

- APS *comprehensive* solution for AL Medicaid
  - **Leverages the clinical savings** that have provided negative trend and maintained unit cost at its current level
  - **Utilizes acquisition cost** for pharmacy reimbursement
  - **Maintains POS technology solutions** to minimize patient care disruption and optimize clinical value
  - **Positions AL Medicaid for future trend management** through formulary and rebate optimization

Comprehensive Services

- Claim Processing

  — Established claim processing platform
  — Flexible plan design
  — Expanded reporting portal
  — Member portal for plan recipients
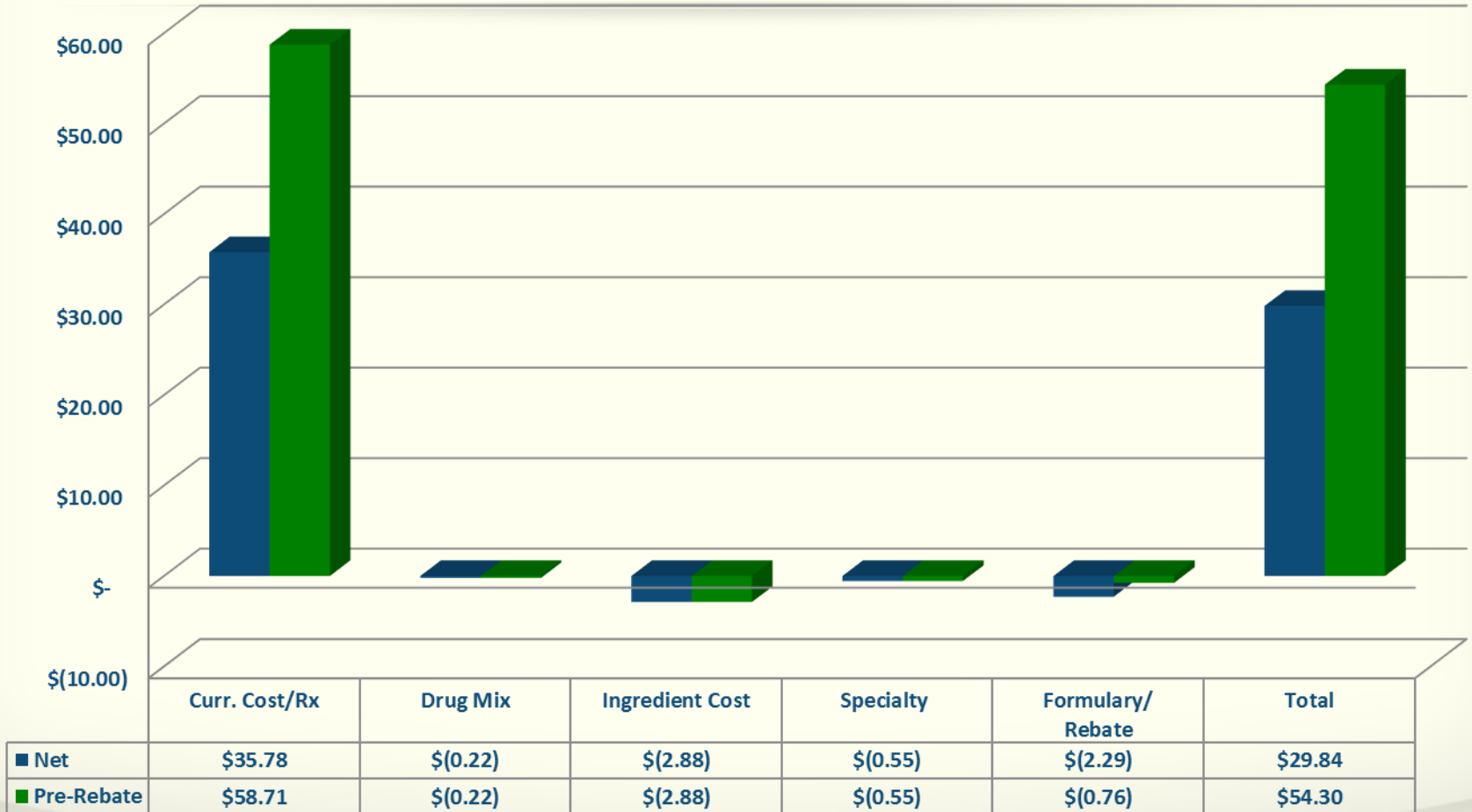 — POS clinical PA

- Rebate Management

  — Maximized federally mandated and supplemental manufacturer rebates through evaluation of market share, best price, and therapeutic class optimization
  — Additional generic manufacturer rebate opportunities through APCI

Comprehensive Services

- **Provider Network Management**

  — Comprehensive "Any Willing Provider" pharmacy network
  — Reimbursement formula for providers that support goals
  — Defined network strategy for specialty medications

- **Customer Service**

  — 24/7/365 member and provider call center services in Auburn, AL
  — Dedicated clinical pharmacists and clinical pharmacy technicians servicing AL Medicaid recipients

Cost Savings Components

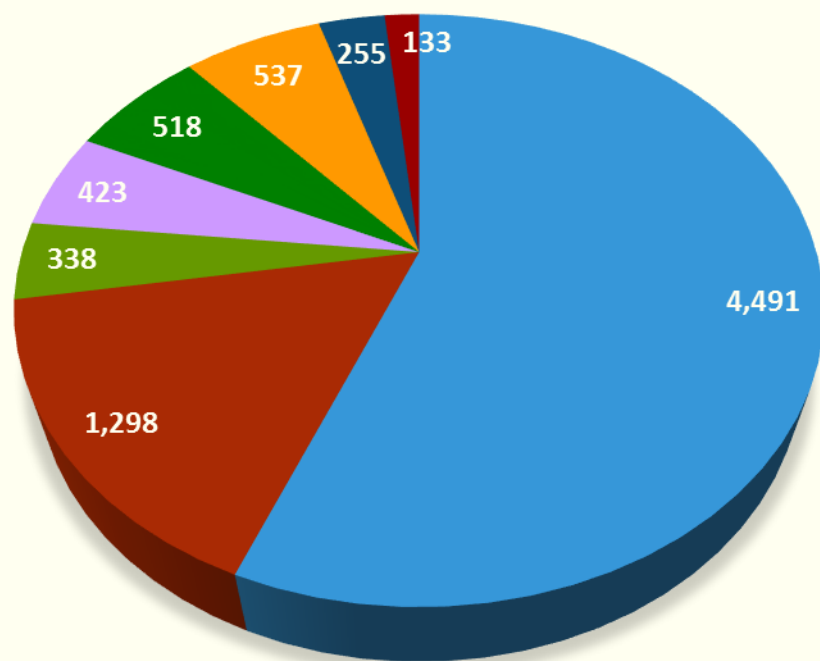|	Curr. Cost/Rx	Drug Mix	Ingredient Cost	Specialty	Formulary/Rebate	Total
■ Net	$35.78	$(0.22)	$(2.88)	$(0.55)	$(2.29)	$29.84
■ Pre-Rebate	$58.71	$(0.22)	$(2.88)	$(0.55)	$(0.76)	$54.30

Cost Savings Components

- Drug/Product Mix
- Specialty pharmacy rates
- Ingredient cost
- Formulary enhancements
- Maximization of federally mandated and subsidy rebates
- Incorporation of generic purchasing rebate incentives

Estimated Annual Savings Opportunity: $48-60M

Improving Gaps in Care - Asthma

Recipients with a diagnosis of asthma without controller therapy

Recipient Age

■ 0-9 ■ 10-19 ■ 20-29 ■ 30-39 ■ 40-49 ■ 50-59 ■ 60-69 ■ 70-99
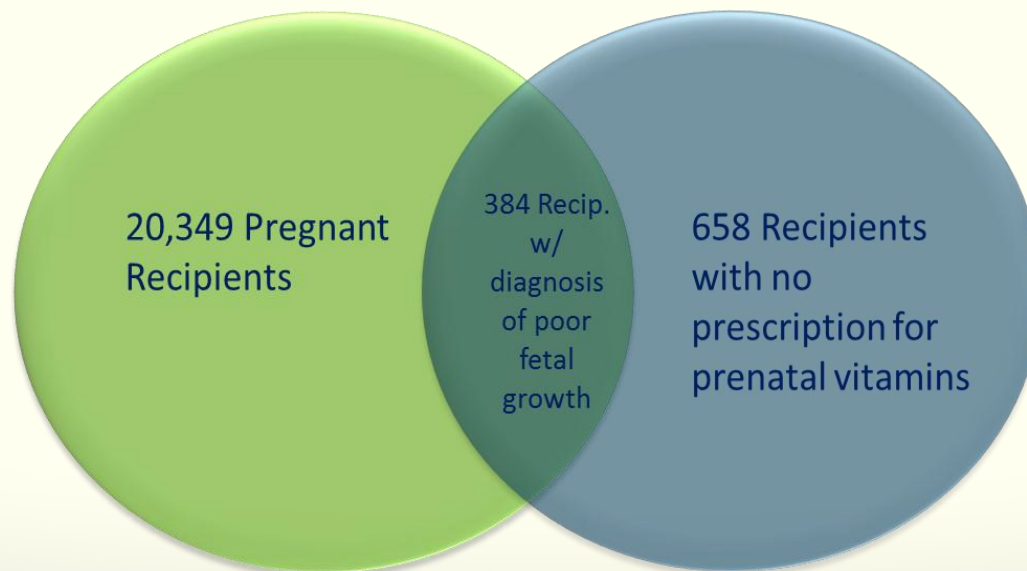
Jan. 1-Sept. 1, 2013

More than 7,900 trips to ER for inhalation therapy in 2012.

>3,685 patients on Albuterol

Only 2,500 patients on long-term controller therapy

Improving Gaps in Care – Prenatal Care

- More than **20,000** females diagnosed as pregnant
- More than **600** had no prescription fill for prenatal vitamins
- More than **300** had a diagnosis of poor fetal growth at least once during their pregnancy.

20,349 Pregnant Recipients

384 Recip. w/ diagnosis of poor fetal growth

658 Recipients with no prescription for prenatal vitamins

Jan. 1 - Sept. 1, 2013

Summary

- Current AL Medicaid expense is a direct result of unique clinical program management, which utilizes medical and pharmacy claims history, and acquisition-based reimbursement methodologies

- Additional savings can be attained through enhanced formulary, rebate, and network management

- **Alabama Prescription Services** offers a *comprehensive transparent solution* that ensures a singular focus on AL Medicaid interests

Thank you.

Alabama Prescription Services